

DISCUSSION DRAFT

THE NEXT WASHINGTON

Growing Jobs and Income in a Global Economy

**Governor's Economic and Workforce
Development Conference**

September 6-7, 2006



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Washington Today, Washington Tomorrow

Workers and businesses in Washington have been experiencing a dramatic economic transformation. Although the experience has been different in different areas, we have an overwhelming sense that today's economy is not the economy of yesterday. Our economy has always been based on regional specializations. But all over the state, from the agricultural southeast to the industrial ports of the west, our businesses have faced new challenges, our workers have adapted to new technologies, and our future promises even more challenges as the global marketplace becomes more embedded in our lives and workplaces.

Washington's regional economies have some common advantages. Washington enjoyed relatively inexpensive electric power and many of our industries and regions were built on that basis. Our community and technical college system is a world leader. Our research institutions are among the best in the world and significant engines of economic change. Our forests are the envy of the world for their quality and diversity. Our ports give us unique access to world markets and are constantly shaping our economic future. Our entrepreneurial spirit and innovative business practices have created whole industries where none existed, built on clever ideas and skilled workers, growing some of the world's leading companies and farms. All of these advantages remain, but all are under pressure from increasing competition and changing production costs.

We look different, too. Older workers are a growing portion of our workforce. In construction, particularly, but in other sectors, too, the anticipated retirement of vast numbers of skilled workers poses a significant management and policy dilemma – as well as an enormous opportunity for advancement for young people in the state. People of color and recent immigrants are growing shares of our population. By 2030, people of color will be one-third of our population and many will speak English as a second language, creating new challenges for our education system and other aspects of our economy. Our families are changing, too. We have more single-parent families, more varieties of households, we are living longer, and we have more adult children living at home. Our increasing diversity is an opportunity for new markets, new perspectives, new talents, and an exciting cultural quality of life.

Our regional economies are changing. Twenty years ago in Spokane, the health care industry was an important part of the community, but not a defining industry for the area. Since 1990, employment in hospitals, ambulatory health services, nursing and residential care facilities have made the Spokane health service industry a primary economic driver for the region. Since 1990, employment in ambulatory care alone has grown by more than 70 percent. One of every five job openings in a recent survey was in the health care industry.

In Walla Walla, the thriving wine industry was just a bright idea for a few determined entrepreneurs not long ago. In the span of a few years' time, wine has become a vital, statewide industry. The economic impact of the wine industry extends far beyond the direct production of wine or the agricultural employment of vineyards. Wine has become a tourist industry, a source of education demand, a force for transportation improvements, a source of manufacturing jobs associated with bottles and packaging, and an advertising employer.

In Grays Harbor, the thriving paper and wood products industries are struggling to stay ahead of lower cost competitors and the rising cost of materials. Yet they keep ahead of the competition, adopting newer, “greener” technologies and building on the skills and experience of an experienced workforce. Today’s children in Grays Harbor may be surprised to learn, looking back in 20 years, that Grays Harbor was once home to significant environmental conflict. If current events play out as they might, Grays Harbor is steadily becoming home to a cluster of low-emission energy producers, environmentally advanced manufacturers of recycled products, and biofuels production and distribution companies.

These are just a few examples. This story is being told in households and workplaces all over our state. New technologies are simultaneously creating new opportunities and threatening established work practices. New products are being invented by clever individuals or by networks of creative people and companies. The question for all of us is: How can we stay ahead of the global transformation of the economy so we all benefit from its potential?

Washington's Workforce and Economic Development Strategy:

Some Fundamental Assumptions

Our economic development strategy is based on six assumptions.

FIRST: Washington is a force in the global economy.

Our economic strategy has to start from a global understanding. We are more like a small nation, economically, than just another state. We simply will not compete successfully solely on the basis of low cost. Obviously, wherever possible, we should make it less expensive and easier to do business here. But we will compete and win based on high skills, creativity, innovation, and high quality. We need to take this global understanding and competitive strategy and advance it on a regional basis and throughout the state. *Washington's global strategy rests on skills and innovation, built everywhere in the state through regional partnerships.*

SECOND: Education is the single most important economic investment we can make.

Investments in education -- particularly early childhood education and lifelong learning -- have significant economic implications, far into the future, and they are key to helping low-income families gain ground economically.

THIRD: The public sector should lay the foundation for private sector success.

"Infrastructure" means more than the traditional sense of roads and sewers, though those are important. In a modern economy, the foundation for economic growth includes transportation, energy, water, and electronic connections to markets and suppliers.

FOURTH: Sometimes laying the foundation for success means providing information and getting out of the way.

Washington needs to be "open for business" in a serious way, using electronic service delivery for easier access and to create economies of scale. We know we are making progress on permit timeliness and on-line licensing. We know that unemployed workers are finding jobs more quickly. But we need to make it as easy as possible to do business in Washington.

FIFTH: Government should actively support vital sectors of our economy.

Focused, targeted investments can leverage private activity and increase our competitive advantage. The Life Science Discovery Fund plays this role, promoting public research and leveraging federal and private investments. Washington's biofuel strategy, particularly the recently created loan fund, is another key example of leveraging significant private activity with relatively modest public investment. Our major education and skill investments are additional examples. We need to ask ourselves as a state: what are the best 21st century investments for our future?

SIXTH: The modern, global economy is making some old trade-offs irrelevant.

We can create jobs without harming the environment. Indeed, clean technologies, renewable energy, tourism, and other industries thrive *because* they are environmentally aware. We can promote victory in the global marketplace without having to choose between large and small firms. Some of our smallest companies are major players in the global economy. And the distinction between "sunset"

industries and “new economy” industries breaks down when we see how much innovation, creativity, and research knowledge are needed to spark the next generation of products and services in all industries.

Our strategy is to build the skills and talents of Washingtonians, support our world-class firms and industries, focus our resources on effective programs, and move the whole state forward while providing special attention to regions and people who are not advancing as quickly as the rest of the state.

How will we know we are succeeding?

Government must be accountable for results. We need to have bold policies and specific measures of success. As this plan moves forward, state government and regional partners will need to develop concrete, measurable goals associated with the initiatives. Our efforts should represent a shared vision of the future and our measures should allow Washingtonians to gauge our progress as a state.

Under the Governor’s Government Management, Accountability, and Performance (GMAP) initiative, performance measures have to meet a six-point test:

1. The measures must be meaningful to Washingtonians.
2. They should align with state and regional priorities. They are budget and policy driven.
3. The measures should capture events that our actions can influence.
4. The measures should relate to a substantial effort or investment. We don’t want a vast number of measures that don’t add up to significant movement forward.
5. Progress in the measures should be possible over 90-day periods (rather than years or decades) so management decisions can be made to influence outcomes in shorter periods.
6. Data must be reliable and easily accessed.

Because performance measures are policy driven, our measures of success will be based on specific programs and actions that emerge from this plan.

Global and Regional

Washington’s economy is global and it is regional. We are global because we are consistently among the top states for exports per person. We exported \$38 billion worth of products in 2005 and will export more than that in 2006. Despite our smaller population, only California, New York, and Texas exported more than Washington last year. Our economy is also regional, with specific leading industries and firms making their mark on Washington’s regional labor markets, financial markets, and cultural environment.

Recent trade missions by the Governor and industry leaders show how we can capitalize on Washington’s superb reputation for quality and innovation. At the Paris Airshow, the Washington trade delegation met with six world-class companies, all of whom are opening or expanding operations in the state. The back-to-back visits of President Hu of China and President Fox of

Global Competitiveness Council

The Governor's Global Competitiveness Council was chaired by Alan Mulally, President & CEO of Boeing Commercial Airplanes, and Judith Runstad, Attorney at Foster Pepper PLC. The Council's initial report, "Rising to the Challenge of Global Competition," was published in March 2006. The Council formed five committees to make recommendations.

- The Infrastructure Committee made recommendations around telecommunications, water, freight, energy, and air transportation.
- The Marketing Committee recommended a Global Business Attraction and Promotion Campaign, an inventory and expansion of marketing resources, and efforts to leverage additional activities.
- The Political Environment Committee focused on the context for decision-making in the state and made recommendations around education and policy to reduce political conflict.
- The Research and Innovation Committee recommended increased support for research and innovation; improved commercialization and technology transfer, broader distribution of technical knowledge, and better preparation and engagement of the workforce.
- The Skills Committee recommended steps to make the education system more seamless, raise the bar on performance, increase investment, and prepare workers.

Many of the Global Competitiveness Council recommendations are incorporated into this strategic plan. The full report is available online at: <http://www.governor.wa.gov/priorities/policy/economy/council/default.htm>.

Mexico show the world that Washington is like a small nation with unique, personal connections to global leaders. During the Australia trade mission, the state of Washington signed path-breaking agreements around life science collaboration, sending yet another signal to the world's science community that Washington intends to build international networks that strengthen our leadership in global health and life sciences. Trade missions are just one part of a general strategy to expand export markets and increase foreign investment in Washington.

The Governor convened the Global Competitiveness Council in response to Washington's unique mix of globalism and regionalism. The Council was asked to "rise to the challenge of global competition" and provide recommendations and competitive strategy (see text box on Global Competitiveness Council). The Council's report is an important document to read in its entirety, but within the recommendations is an essential, overall message: *Washington is not going to compete successfully with a low-cost strategy alone, though we need to keep business costs down. We'll compete with quality products, innovation, and a skilled trained workforce.*

How will we compete and win? First, we have to be aware that the rules of economic strategy have changed forever. Our state plan has to build on a foundation of regional success. The Federal Reserve Bank of Kansas City recently described the new planning reality in a concise history of economic development:

	Industrial Recruiting: 1950's to Early 1980's	Cost Competition: Early 1980's to early 1990's	Regional Competitiveness: Early 1990's to Present
Driver	Export Base	Scale economics	Innovation and Entrepreneurship
Strategies	Financial incentives to firms. Industrial Parks	Industry consolidation and cost-cutting deregulation	Entrepreneurship Clusters Commercializing Research
Keys to Success	Government funds for subsidies and tax breaks. Industrial Infrastructure	Health of existing industries	Distinct regional assets, such as: Human Capital Higher Education Amenities

Source: Federal Reserve Bank of Kansas City, "A Review of the Federal Role in Regional Economic Development," 2005.

Washington is well-positioned for economic success in this new environment. In a world where economic rewards are achieved through education, innovation, and research, Washington can maintain our global lead through smart strategies and strong alliances across regions.

Our strategy has three components:

1. ***Education and Skills*** are the most important investment we can make in our economic future.
2. ***The Foundation for Economic Success*** is our strategy for traditional infrastructure investment, but also for the broader underpinnings of the modern economy; success in today's global market requires more deliberate approaches to energy, telecommunications, water, and transportation.
3. ***Washington is Open for Business*** is our approach to making Washington even more business-friendly by making it easier and less expensive to operate a business in Washington.

Our approach is based on regional organizations because our economy is regional, statewide, and global. Our plan, described in brief in the following table, is grounded in improved regional planning driving initiatives around skills, laying other foundations for success, and being open for business in meaningful ways.

“THE NEXT WASHINGTON”

KEY INITIATIVES

Statewide and Regional Planning Improvements

(Economic Development Commission /Workforce Training and Education Coordinating Board)

Skills (p. 8)	Foundation for Success (p. 11)	Open for Business (p. 15)
<ul style="list-style-type: none"> • Washington Learns • Workforce Board Review • Apprenticeship • Public-Private Efforts 	<ul style="list-style-type: none"> • Moving Washington Infrastructure Forward Initiative • Research-to-Product Initiative • Products-to-Markets Initiative (Transportation and Ports) • Regional Response Teams for Distressed Areas • Telecom Strategy as Economic Development • Water Policy 	<ul style="list-style-type: none"> • Team Washington Recruitment • Industry Strategies • Innovation Zones • Training/Economic Development Alignment • Angel Investor Initiative • Integrated On-Line Business Services

1. Skills for the Changing Economy

Washington's education system is under increasing scrutiny as parents, students, elected officials, and business leaders press for higher performance and greater efficiency. In an effort to meet these challenges, Washington's strategy has included important interventions at several stages in the lifelong learning process. Research shows that the earliest years of life are the most productive in terms of development, and that high-quality early learning opportunities significantly affect long-term results as kids become adults. The newly-created Department of Early Learning will coordinate fragmented early learning programs and move Washington toward a more seamless education system, from very early childhood through adulthood. The Department's mission will be to ensure that the promise of early learning is achieved for all students in Washington. The "Thrive by Five" public-private partnership will build upon the systemic changes of the Early Learning Department by linking public investment to substantial private and philanthropic funding.

Washington's high school students are increasingly aware that they must meet rigorous academic standards. The goals of the Washington Assessment of Student Learning (WASL) are central to our economic success: Washington students must be held to high standards and they need to know that the education system will provide the support they need to reach their goals. For employers, these standards are an important signal that Washington workers can cope with the increasing and changing complexities of modern business.

Washington's higher education and training system is among the best in the country. Apprenticeship programs, community and technical colleges, and state colleges and universities provide a range of opportunities for citizens to develop the skills they need for family-wage jobs. Opportunities to gain skills and upgrade skills are vital for thousands of Washington workers facing difficult economic transitions and for employers who must stay competitive in a constantly changing economy. Innovative approaches like skill panels, centers of excellence, and targeted customized training efforts have helped Washington's workers gain 21st century skills and meet the changing needs of employers. Our premier research universities – the University of Washington and Washington State University – are vital sources of knowledge, expertise, and creativity. But they are also important vehicles for economic progress through research, innovation, and commercially viable discoveries. Connecting these engines of economic progress to Washington business is a central mission in meeting the global challenge.

Washington Learns, a group of legislators, educators, and business and community leaders, was convened by Governor Gregoire to review the state's educational system – from early learning and K-12 through higher education. Recommendations will include strategies to increase the skills and educational attainment of Washington citizens. More information on the effort is available at www.washingtonlearns.wa.gov. Similarly, the Governor and the Legislature directed the Workforce Training and Education Coordinating Board to review the workforce development system to improve outcomes for workers and employers, making the system more streamlined and accountable.

Washington is making important progress right now. Through a pilot project, a limited number of "Opportunity Grants" are available to qualified adults to help pay tuition, fees, and other expenses for community and technical college programs that lead to certificates or credentials in fields with known job openings. Additional public-private partnerships are underway and should be

encouraged and publicized. “Dream It-Do It” is a public-private effort involving the Association of Washington Business, the King County Workforce Development Council, Shoreline Community College, and the Washington Manufacturing Service to promote interest in manufacturing careers among high school and college students. The Northwest Association for Biomedical Research runs programs that encourage students to explore life science education and careers. Their program connects teachers and students directly with researchers – as mentors, classroom speakers, and participants in designing new curriculum that can be used years before the research becomes standard in textbooks. The American Electronics Association sponsors projects in several school districts, including pre-engineering programs.

Meeting the global challenge of skills and education requires significant additional action in several areas:

- **Increase opportunities for post-secondary education and training**
 - Washington employers are adding thousands of highly-skilled jobs for engineers and scientists to their payrolls. But Washington colleges and universities are not graduating enough of our citizens in these high-demand fields. We must increase capacity in our state’s higher education institutions to meet the demands of students and employers in math, science, and other high-demand fields at all education levels, including sub-baccalaureate, baccalaureate, and post-graduate levels.
 - Low-income adults often face extraordinary barriers when attempting to gain skills they need to get good jobs. Increasing the number of students who are the first in their family to attend college provides opportunities for personal advancement and increases the skill level of our workforce as a whole. Providing incentives to our colleges and universities will focus recruitment and retention efforts on this group of students.
- **Promote more public-private partnerships that encourage academic achievement and skills training in high-demand fields.** Many of the efforts to promote high standards and increase student interest in math and science are taking place through partnerships with the private sector. Washington benefits greatly from these private efforts. Government and community leaders should promote them whenever possible. The increasing demand by employers for graduates holding specific, high-demand degrees suggests that this may be a fruitful area for additional public-private partnerships. The aging of the construction workforce combined with the recent tightening of the labor market for construction, shows the vital role of another variety of public-private partnerships – apprenticeships – in bridging the divide between construction demand and construction labor supply.
 - Pre-apprenticeships pilot projects will be launched in high schools and community colleges in several Washington communities in fall 2006. This partnership of business, labor and the state will offer students the opportunity to gain skills leading to family-wage jobs in the construction and building trades.
 - The Governor’s effort to promote aerospace scholars is reaching every area of the state to encourage interest in science and aerospace careers.

- “GET Ready for Math and Science” is a proposal for a public-private partnership that would provide college scholarships in selected majors for students who excel on the math or science WASL during middle and high school.
- **Streamline the workforce training system.** The Workforce Training and Education Coordinating Board will complete its review of the workforce development system in November 2006. The review will recommend to the Governor and the Legislature steps to improve the system through efficiencies, closing service gaps, and other opportunities to improve outcomes for workers and employers. The insights of this effort hold particular promise for Washingtonians who choose not to attend college and who face difficult career transitions.

2. The Foundation for Success: Traditional “Infrastructure” and Beyond

Washington’s economic expansion has been tremendous compared to the national economic picture. Between January 2005 and July 2006, Washington added 121,000 jobs. We are gaining middle-income and high-wage jobs. Manufacturing employment, for example, is expanding in Washington even as it contracts nationwide. At recent count, Washington had gained 22,300 manufacturing jobs since the most recent low point (January 2004).

We need to continue to grow in areas where progress is being made and extend our economic expansion to regions that are not gaining as quickly as the rest of the state. Washington needs a strategy to continue to expand our competitive edge in fast-growing counties and provide additional support to struggling areas. We need to efficiently lay the groundwork for future success everywhere in the state. In particular, we need to ensure that the supplies we need and the products we export can enter and exit our state as readily as possible through some of our most important economic assets: Washington’s world-class port system.

We make substantial investments in the water, sewers, roads, and utilities that help make economic growth happen. Recent breakthroughs around water and transportation represent significant progress. Along with education, infrastructure investments are among the largest, most important direct investments that the state makes in promoting economic growth. Yet our programs and policies in this area are fragmented and have too little strategic focus linked to economic goals.

Washington’s strategy for laying the foundation of a world-class economy requires that infrastructure investment programs be less fragmented, with a sharper strategic focus, driven in partnership with regions and local areas. We will both promote leading-edge companies and ensure that individuals and local areas of the state are all moving forward together as “One Washington”. The following initiatives will lay the foundation for our success:

- **Education** is the most important and largest investment we make in the foundation of our economy. The preceding section describes elements of that strategy.
- **Moving Washington Products to Markets.** The Washington Legislature and Washington voters have taken profound steps forward to promote transportation expansions and improvements. Three efforts are central to our future strategy around keeping products moving to markets. First, our transportation funding has to include multiple transportation options (roads, water, rail, air) and new options to leverage non-state funds. Second, through freight mobility priorities at the Department of Transportation, the Freight Mobility Strategic Investment Board, and other planning efforts, we need to make smart decisions to remove bottlenecks in our transportation network for products. Third, we need to use longer time horizons in planning for our transportation needs to ensure that commuters and businesses have a transportation system they can count on in the future. Finally, we need to build on the findings of the Governor’s Container Ports Initiative. The preliminary discussions for this have involved the two highest-demand ports – Seattle and Tacoma – developing strategies that go much further into the future than most regional planning. A summary of these strategies will be completed by December 2006 and the next phase of discussion and implementation can begin, involving more ports across the state. Washington’s ports are vital

to our global competitive position and we need to ensure that they have the infrastructure capacity and transportation access they need to help the state succeed.

- **Electronic Access and Regional Economies Initiative.** Telecommuting and e-business strategies could be essential to Washington's economic development strategy if we extend broadband access to new areas. For the most part, market forces are bridging the digital divide. But there is a clear public purpose to expanding broadband access in some areas where access is not currently available. In areas of the state where telecommuting by workers or electronic transmittal of services are options, expanded broadband access could be at the heart of economic strategy. Where there are not enough companies, where commute distances or conditions are prohibitive, or where labor supply is an issue, telecommunications strategies could hold the key to jobs and income. Washington strategy will be based on solid information: which areas are candidates for improved telecommunications access and what can be done to create that access?
- **Moving Washington Infrastructure Forward Initiative.** A recent study by Berk and Associates describes Washington's infrastructure programs as fragmented and lacking a unifying direction. In recent years, in an effort to address gaps in the economic development portion of the state's infrastructure portfolio, additional programs for job creation have been added to the mix of infrastructure funding streams. This has occurred even as one of the most significant job-creation funds – the Community Economic Revitalization Board – has functioned without a sustained funding source. We need to broadly engage communities, constituencies, and existing programs to rethink our infrastructure funding strategy to: (1) address governance issues so that our funds have an integrated, targeted mission and clear measures of success, (2) explore opportunities for increased efficiency through program consolidation, and (3) identify options to increase the positive impact of public funds on private economic activities.
- **Research-to-Products Initiative.** Research institutions play an increasingly important and complex role in economic change. Some university research leads directly to new products, procedures, or companies. Other research leads to new production methods or new ways of organizing work. Whether it is direct or indirect, university research is constantly changing our companies, workplaces, and products. Washington is home to premier research institutions. Harnessing the creative power of these assets has to be central to our strategy for the economic future.

The Economic Development Commission of Washington recently sponsored a report, "Enhancing Washington's Economic Future," with several recommendations to move us forward. The Global Competitiveness Council endorsed the direction of this report. Reflecting on these recommendations and other initiatives, our plan for expanding the commercialization of university technologies includes five initiatives:

- Continue Support for Life-science Discovery Fund.*** The most significant state investment in research is the recently created Life-science Discovery Fund. This fund, based on the portion of the tobacco settlement that was paid to Washington as a bonus for our leadership in settling the lawsuit, has a mission to advance Washington's life-

The Research-Based Economy: A Strong Advantage for Washington

Most Washingtonians realize that our research universities, federal laboratories, and high-tech companies are leading the world in innovation and research. But the full effect of our research-based companies and industries may not be fully appreciated. The Global Competitiveness Council's Committee on Research and Innovation developed the following flow chart to illustrate how research ideas flow through workplaces and into markets around the world:

The Cycle of Innovation, Productivity and Economic Growth



Although we may not see it every day, Washington's economy is constantly growing and changing as a result of our world leadership in innovation and research. To keep this engine of economic expansion moving forward, we need state and regional efforts that promote each step of the research-to-products process.

- science research by investing in research institutions and leveraging additional federal and private funds. The fund is central to our life-science strategy and can be supported through additional linkages to commercialization efforts at universities, connections to federal funding opportunities, and marketing efforts.
- b. Convene International Summit on Technology Commercialization with Washington and British Columbia.** The Governor and the Premier of British Columbia recently convened a unique international meeting to address regional social issues, public safety issues, and economic strategies. British Columbia has active research programs and high performance standards for commercialization. Washington and B.C. could both learn from an international discussion of technology commercialization organized around the commercialization discussion in the Global Competitiveness Council report.
 - c. Expand Research Capacity.** Lab space and other **physical capacity** are important to our success in the research-based economy. The Higher Education Coordinating Board and other institutions that design and implement capital purchase plans should include a research component in their statewide strategic planning. Depending on budget pressures, the state can either specify research buildings within existing funds or add funding targeted at key research areas. We also need **personnel capacity**. Studies show that "star" researchers are among the most cost-effective ways to lure out-of-state funds, increase research output, and improve educational opportunities. As the state budget picture is clarified, we need to explore the potential for a small investment (creating a fund for one-time expenses associated with luring world-class academic researchers) or a large investment to support on-going salary and other expenses associated with bringing

the most successful researchers to Washington universities. As a potential strategy, we need to review the lessons of the state's Advanced Technology Initiative as a model for the future. If we pursue another investment along those lines, it will be important to have industry involvement in the selection of research areas to fund.

- d. **Technology Commercialization Information.*** Washington's strategies and assets can lead to products and innovation only if entrepreneurs and companies know they exist. Small investments in communication around patents and programs can go a long way toward expanding access to next-generation technologies and programs. The Economic Development Commission report highlighted several areas where additional information could be created at low cost.
- e. **Measure our Progress.*** Various private efforts rank the state on "innovation" and other measures associated with the research-based economy. The Government Management, Accountability, and Performance (GMAP) process used by the Governor to evaluate state programs should be brought to bear on the commercialization enterprise. The Governor's office, in consultation with university technology transfer offices, should recommend a measure or measures to add to the quarterly Economic Vitality GMAP meeting.
- **Regional Response Teams Initiative.** Much of Washington's strategy is designed to keep our leading edge companies ahead of the global competition, but we need an approach to local areas that are not keeping pace with the changing economy. Washington's current "distressed area" definition is too broad, the measure does not link directly enough to the resources that will be used to respond, and our approach to helping designated areas is not focused enough. The Regional Response Teams Initiative will include four steps. (1) We will create a trigger measure that signals the need for greater engagement around fiscal and economic support for a distressed region. (2) Designation leads to joint state-local response team to identify problems and opportunities in the region. (3) Joint efforts lead to resources for public works (particularly through the Moving Washington Infrastructure Forward Initiative discussed elsewhere in this plan) and private activity. (4) The team links to the Team Washington recruitment effort to bring private companies to these areas.

3. Open for Business

The Open for Business part of our state plan is the final set of initiatives to generate jobs and income. Our Education and Skills strategy will provide Washingtonians with the knowledge they need to keep Washington businesses competitive in the world. Our Foundation for Success strategy will create or strengthen other prerequisites of success for workers and businesses. The initiatives we call Open for Business are to make Washington an inexpensive and efficient place to do business given our skills and infrastructure.

Washington's workers and businesses need to have clear, concise guidelines to navigate state and local procedures. We need to deepen the on-going dialogue around the state about fair and sufficient tax policy. We need to devolve state resources to support regional efforts as much as possible, to be closer to customers, and to be informed by local needs. Our efforts to recruit new companies, expand existing companies, and retain employment at companies that face financial difficulties need to be based on smart use of limited resources, building on federal, state, local, and private resources. As we take these steps, we need to ensure that our natural and cultural environments are consistently supported and promoted as both legacies for our children and unique economic assets.

Washington's approach to being "open for business" includes support for regional planning and action to build on local competitive advantages. We will grow Washington employment with recruitment, retention, and expansion strategies that reflect these regional plans. Specific initiatives include:

- **Align economic development and workforce development at the regional level.**

Washington is regularly cited as home to one of the best workforce development systems in the country. We frequently win national awards, we find work for unemployed workers quickly, and the re-employment wages of displaced workers are among the best in the country. We also have extensive experience with economic development councils promoting economic activity at the local level. We need collaborative efforts to move these systems forward with the needs of businesses and workers in mind. In some areas, our workforce development councils and our economic development councils work together very effectively. In others, the full promise of aligning workforce development and economic development goals is not realized. Washington should pursue a two-step strategy toward improving these joint efforts.

 1. At the state level, the Economic Development Commission and the Workforce Training and Education Coordinating Board have little contact. A first step forward will be for these boards to take stock of local and regional efforts and make recommendations about what works and what doesn't in terms of joint efforts. Their review should look at existing boundaries among the organizations in the two systems and best practices around joint planning. These two institutions should "walk-the-talk" in terms of joint strategizing around workforce and economic development investments.
 2. The Commission and the Board should recommend new organizational boundaries if necessary, new funding options to improve the alignment of workforce and economic development policies at the regional level, and new initiatives to promote regional activity based on these plans and policies.

These activities have a specific goal: every region in the state should have a widely understood, broadly shared, and powerfully motivating economic strategy that links workforce and economic development efforts. The best state plan is only as effective as the regional plans that build into it.

- **State Resources for Regional Strategies.** In town hall meetings, in discussions with business leaders, and in conversations around the state, time and again the message is delivered that Washington needs a regional approach to economic development. Washington's economy is global, but it is regional, too. To succeed, Washington's lead agency, the Department of Community, Trade and Economic Development, needs to **move resources from state offices in Olympia to regional partnerships** around the state. Washington's state strategy for employment growth must be built on regional activity.

Two strategies are key to our state and regional activities. First, the Legislature recently enacted legislation that included several efforts to **promote industry clusters**. It confirmed the Department of Community, Trade and Economic Development's list of industries that should receive special attention and resources due to their state-wide effect on the economy. The Legislature singled out: aerospace, agriculture, food processing, forest products, marine services, health and biomedical, software, digital and interactive media, transportation and distribution, and microelectronics. In each industry, CTED will develop recruitment, retention, and expansion strategies in regional settings. The Legislature also created a program of competitive grants to promote regional activity around industry clusters. The "Growing Washington Business" section of this strategic plan will describe a few examples of activity around industries and regions.

A second area of state support for regional activity is the **Innovation Zones Initiative**. The Innovation Zones Initiative complements our regional industry clusters by encouraging high concentrations of research-based employers. Innovation Zones are a Global Competitiveness Council recommendation. Though they may cover a small geographic area, innovation zones combine powerful economic drivers in concentrated areas. These concentrations of research, innovation, and economic activity can be a dominant force in regional economies. Six competitive grants recently were made to local areas to provide guidance for drawing the boundaries for potential innovation zones, which resources could help build future zones, and what skills workers would need to help zones succeed. The results of these initial grants are being compiled as this plan is being written. Depending on the findings from these planning grants, state strategy could build on the lessons from this initial work in four ways: (1) The Director of the Department of Community, Trade, and Economic Development will establish criteria for designating local areas as "Innovation Zones" and seek nominations for those designations, (2) the Department will convene an annual gathering of Innovation Zones leaders to share information and strategy about helping these zones thrive, (3) the Department will review the results of the initial grants to identify resources needed to create additional Innovation Zones and (4) the Department should recommend administrative actions or legislative actions to promote the success of existing zones and the creation of additional zones around the state. Possibilities could include earmarking of funds in existing programs or proposals for unique funding streams for specific zone activities, depending on the findings of the initial planning grants.

By focusing on key industries in regional economies, state resources can have a larger effect on the economy. Through Innovation Zones, we can build companies and research institutions into concentrated areas of economic innovation and growth.

- **Integrated, On-Line Business Services Initiative.** Washington leads the country in e-government activity. We need to build on our success by providing greater access to state services and business requirements through electronic options. Among other advances, we will align and integrate on-line licensing, permitting and tax payment requirements for state agencies. Key on-line functions will include a single sign-on for conducting business with the state, shared information for environmental permitting, customized resources based on business type, and improved connections with local governments. The on-line system will make it easier to conduct business with multiple state and local agencies and will help ensure that business and permit applications can “get it right the first time” when they deal with government agencies.
- **Team Washington Recruitment Strategy.** Years ago, “Team Washington” was a statewide effort to mobilize state and local resources around shared economic goals. In reaching out across the state for advice, we heard from economic development councils and local elected officials that “Team Washington” was a fondly remembered mobilization effort, uniting diverse areas of the state in a common goal. We need to re-launch that effort and make it global. The original Team Washington effort included creating local organizations and coordinating activities at the state level. To a large extent, the local organizations are still in place. We need to build on the lessons we learned and capacity that we built during that effort. The Team Washington business recruitment effort will be a joint project of economic development councils and CTED. At the state level, a coordinator will: (1) research companies that contribute to Washington products or otherwise advance Washington’s global position, (2) mobilize local partnerships to promote company location decisions and (3) coordinate outreach efforts to international and other out-of-state companies to encourage location in Washington. This effort can take advantage of another new project, the Business Ambassador program that is being created by the Economic Development Commission. Team Washington is a cost-effective, tested approach to recruitment and is consistent with a Global Competitiveness Council recommendation around marketing.
- **Washington Angel-Investor Initiative.** Washington is home to some of the most progressive, well-funded venture-capital funds in the world. We are also home to some of the most visionary, potentially successful entrepreneurs in the world. To a large extent, funds with money to invest and entrepreneurs with good ideas are able to find each other and make deals happen. But there is a small important role for a program to assist the private investment process by connecting investors and entrepreneurs, helping entrepreneurs prepare for meetings with investors, and sponsoring gatherings of investors and entrepreneurs.
- **Small Business Strategy.** Small businesses are a vital economic driver, but it is difficult to create programs that meet their literally thousands of different needs. In the broadest terms there are two kinds of support for small business. Some services are delivered one business at a time with face-to-face business-plan development and problem-solving. This happens in Small Business Development Centers, incubators, and other direct service provider offices.

Other services are provided electronically through Web sites or on-line curricula. At the retail, face-to-face level, the state should support existing, local efforts to help small business instead of creating new state programs. The federally-funded Small Business Development Centers are a good example of existing efforts that the state can support.

We need to make additional efforts to **make government accessible and effective** for small business. To efficiently serve thousands of small businesses, the **Integrated On-Line Business Service** improvements in information, licensing, and permitting are a big step forward. Important additional changes are developing in state agencies. For example, the Department of Revenue is launching an outreach effort to get direct feedback from small business on publications, forms, Web site content and usability. They are also designing new e-filing systems and on-line video workshops and tutorials (including multilingual services) to help small businesses be efficient. The Department of Labor and Industries, with a newly created small business liaison position, is devising customized responses to small business needs and “safety alliances.” Employment Security is exploring opportunities to co-locate tax offices with Labor and Industries to promote information-sharing and improve business accessibility. ESD’s transition from random to targeted tax audits will be important progress for small businesses by reducing the likelihood of inappropriate audits while increasing the efficiency of audits. Efforts like those of Revenue, Labor and Industries, and Employment Security will be shared across agencies, expanded, monitored, and replicated throughout state government.

Experience with small business suggests that availability of capital – including very small loans – can be a vital factor in success or failure. The state also can be helpful in **expanding microlending** options even without directly funding companies.

On the cost side, **health care** remains among the highest cost factors facing small businesses that choose to provide health care. Increasingly, small businesses simply cannot afford the coverage that they would like to offer their employees. State efforts to address health care cost are proceeding on five tracks: 1) pursue evidence-based medicine as a cost-containment strategy, 2) address how chronic care is managed, 3) improve data on health care cost and quality, 4) promote health and wellness, and 5) improve the use of information technology as a cost-saving strategy for health care. These and other strategies hold the promise of structural reform and cost-saving to improve coverage and quality. The **Washington State Blue Ribbon Commission on Health Care Costs and Access** is a key body for addressing these issues. Their recommendations in December 2006 for improved access, health, and affordability will help determine long-term strategies for the state.

- **Expand Business Opportunities for Minority and Women Owned Business.** Washington’s diversity is a source of economic strength. We need to embrace our diversity as a global competitive advantage. Yet in the last six years, state contracts with certified minority businesses have dropped from five percent of total expenditures to less than one percent. Governor Gregoire in her July 10, 2006 letter to state agency directors, called on agencies to work with the Office of Minority- and Women-Owned Businesses (OMWBE) to turn this record around. Each agency will appoint a **Supplier Diversity Change Agent** to identify opportunities and develop new supplier diversity plans and goals. The challenge

is to recommit, add accountability, and use existing laws and regulations to increase access to and contracts with certified minority- and women-owned businesses. Washington also needs to **directly help minority and women-owned business be competitive**. The OMWBE will provide certified firms with access to comprehensive integrated entrepreneurial, financial, technical and technology services customized to their individual development and growth plans. Services include developing performance capacity profiles for certified firms. The OMWBE will continue to market and improve access to the **linked-deposit program** (a program that was literally doubled by the Governor and the Legislature) to provide affordable capital. Finally, OMWBE programs and services are a key component of the **Integrated On-Line Business Services Initiative** described elsewhere in this plan, particularly marketing and sales tools.

- **Agriculture.** Agriculture is one of the most important industries in our state and we lead the world in quality. In the short term, we must continue to press for federal immigration changes to reform our broken immigration system, keeping our border secure while meeting the labor needs of our state's agricultural industry. Our strategy needs to take a longer-term view of this industry; both the pressures it faces, and the opportunities. Washington farmers growing hops, wheat, grapes for wine, apples, and other crops are benefiting from the work of Washington research universities; in particular, the Research-to-Products initiative holds the promise of more innovation and productivity for agriculture, but there are additional steps we need to take. First, we need to fully develop our **"Buy Washington"** strategy for improving consumer awareness of Washington products. Second, the newly-formed **"Working Lands"** initiative will ensure that state programs are doing the best they can to keep our farms working by providing technical assistance, infrastructure, and marketing opportunities, and by reducing the pressures to convert farm land to competing uses. Second, we need to build on the success of this year's **multi-agency strategy around farm-labor supply**. The departments of Employment Security, Labor & Industries, and Agriculture have been working all over the state to improve the connection between workers who need jobs and agricultural employers who have openings. We need to build on that success and make plans for next year's harvesting seasons. Third, we need to continue promoting **overseas trade** for this industry. Everywhere in the world, Washington agricultural products are known for their quality. We need to capitalize on that international awareness and do what's necessary to get agricultural products through our transportation system and into the homes of the world. Fourth, we need to implement the **historic water agreement** that was reached in the last legislative session.
- **Military Installations.** Washington's military installations are a powerful economic force throughout the state, generating \$7.2 billion of economic activity and 200,000 jobs. Our strategy for this activity includes providing capacity for **new missions** and assisting **community planning** with neighboring land, businesses, and residents. Our capital budget strategy needs to acknowledge these important assets. Given the key role of the federal government, Washington state government and congressional representatives form a strong alliance to support Washington's position in the **Base Realignment And Closure (BRAC) Commission** process and it's related procedures.
- **Tourism.** The tourism industry touches every community in Washington. International

tourists come to Washington to experience our natural beauty, our vibrant urban settings, and our diverse cultures. From major events like the 2010 Olympics to regional events like wine tours, Washington is a premier tourist destination for thousands of visitors every year. We need to capitalize on this economic resource in several ways. First, we need to deepen the connection between the leaders of this industry and the state agencies that support it. Redesigning the state's **Tourism Advisory Committee** is an important first step toward other activities. Second, like other states, we need to explore opportunities to **leverage additional private spending** on tourism promotion by using state resources more effectively in combination with private resources. Third, we need to **leverage additional regional spending** by working in concert with Montana, Idaho, Oregon, and British Columbia to promote tourism. Fourth, we need to make special efforts to promote **eco- and geo-tourism** in Washington. Washington's abundant environmental assets are a significant pull for tourists from other states and other countries. Our tourism strategy needs to make the most of our unique cultures, geography, agriculture, wildlife, and wild water. Finally, we need to continue our effort statewide and in concert with British Columbia to maximize the

Summary of Key Initiatives

(Global Competitiveness Council recommendations noted with GCC).

1. Regional Resources for Regional Strategies. Among other efforts, use Regional Response Teams to close the gap between high-growth and slower-growing regions of the state.
2. Washington Learns recommendations, particularly for higher education, to increase opportunities in high demand fields, particularly math, science, and engineering and to broaden education access (GCC). Also, promote public-private partnerships to increase student interest in future high-demand occupations and expand access to skills. (GCC)
3. Moving Washington Infrastructure Forward initiative to explore options for improved targeting and efficiency. (GCC)
4. Team Washington business-recruitment strategy, particularly to attract international companies. (GCC)
5. Products-to-Markets transportation initiatives to build on port success.
6. Tourism strategy to leverage greater public-private activity. (GCC)
7. Research-to-Products Initiative to promote transfer of university research into commercial opportunities. (GCC)
8. Innovation Zones pilot projects to build creative, global companies connected to research institutions in concentrated local areas. (GCC)
9. E-Commerce Initiative to promote telecommuting and e-business services in remote areas of the state. (GCC)
10. Integrated On-Line Business Services Initiative for business services, to make it easier and less expensive to do business in Washington.
11. Angel Investor Initiative to build bridges between investors and entrepreneurs.

state return on the **2010 Olympics** in Vancouver, B.C. The lesson from other states that have hosted or adjoined Olympics suggests that careful planning can lead to enormous tourist activity related to these games. We need to make the Olympics a big win for Washington.

- **Biofuels.** Washington has some unique opportunities to combine biofuels production and agricultural production. Already, Washington farmers are starting to gain from the growth of the biofuels industry. We can make the most of this trend by engaging Washington farmers in biofuels opportunities and compiling the best available evidence about biofuels production and its potential benefits for Washington agriculture. Much of this research exists, but we need a credible, accessible guide explaining how to make this new industry a big economic win for Washington and its farmers. Last year, the Governor and the Legislature funded two studies related to alternative fuels and Washington agriculture. Additional research and demonstration projects around the potential to use wheat and wood waste to produce ethanol will be an important next step for the state.
- **Life Sciences.** The Life Science Discovery Fund is the primary state effort to advance this sector. The mission of the Fund includes state-wide diversity of investments to promote innovation in life sciences throughout the state. Discussions at the Governor's Life Science Summit on September 25, 2006 will inform additional initiatives in this statewide plan.
- **Manufacturing.** Manufacturing is experiencing an economic recovery in Washington, despite national trends, but the industry faces enormous challenges in the years ahead. Washington's strategy in the world economy is based on quality and innovation. We need to send a strong signal that Washington manufacturing quality is second to none. We need to look at options to make Washington the state with the highest certification rate for the global **International Standards Organization (ISO) quality measures**. Our approach to education, to moving innovation from research institutions to companies, and to more coordinated regional activity will be particularly important for manufacturing. We need to learn and extend the lessons from the "**Lean and Green**" pilot program for manufacturing. This is a unique effort by the Department of Ecology, the Association of Washington Business, and the Washington Manufacturing Service to implement plant-level changes that both increase efficiency and reduce environmental impacts. The potential for a Governor's **Aerospace Summit** should be explored. Like Governor's summits in other industries, this might provide an opportunity to address the larger issues facing this industry in all corners of the state.

Conclusion

Washington faces some tough decisions. We are leading the world in health research, alternative fuels, aerospace, software, manufacturing, agriculture, tourism and other industries. Yet our world leadership is under constant threat from other states and from international competitors. The next few years will be important ones for our long-term future. The strategies we implement to maintain and extend our lead in the marketplace must be carefully chosen, monitored through performance data, and modified as our environment and experience change. As we move forward, we must extend our economic success to individuals and areas that are not yet enjoying the full benefit our economic progress.

Washington's future will be built by investing in skills and innovation. We'll keep making it easier to do business in Washington. We'll keep growing our economy while protecting the natural environment and cultural diversity that make Washington a wonderful place to live and work. Across the state and around the world, our workers, products, and companies will keep us moving toward the Next Washington.

